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李 氏 大 藥 廠

Lee's Pharmaceutical Holdings Limited

李 氏 大 藥 廠 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

PROVISION OF FINANCIAL ASSISTANCE

RENEWAL OF THE SHAREHOLDER LOANS

On 21 July 2017, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Supplemental Agreement, pursuant to which Lee's International and PPI agree that (a) the Shareholder Loans (in the aggregate principal sum of HK\$20,056,000) owed by PPI to Lee's International under each of the Existing Shareholder Loan Agreements shall all be due on 21 July 2017 (notwithstanding the original repayment date as stipulated in each of the Existing Shareholder Loan Agreements), and the Loan Interests accrued thereon shall be paid by PPI to Lee's International on 21 July 2017; and (b) upon and immediately after the payment of the Loan Interests, the Shareholder Loans (in the aggregate principal sum of HK\$20,056,000) shall be renewed for an extended term from 21 July 2017 to 20 July 2018.

PROVISION OF GUARANTEE

On 21 July 2017, the Company and PPI signed the Renewed Facility Letter, pursuant to which the Company confirmed the provision of guarantee in favour of the Bank to pay all secured indebtedness in respect of the Renewed Facility due and owing to the Bank by PPI.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

GL Partners became a substantial shareholder of the Company on 31 March 2017 and is continuing a substantial shareholder of the Company as at the date this announcement. Therefore, it is a connected person of the Company under the Listing Rules.

Lee's International and GL Partners are both shareholders of PPI at the same time, while GL Partners, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of PPI. Therefore PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

The Renewed Shareholder Loan made by Lee's International to PPI under the Supplemental Agreement and the Provision of Guarantee, constitute connected transaction and continuing connected transaction respectively pursuant to Rule 14A.26 of the Listing Rules.

The highest applicable percentage ratio under the Listing Rules for each of the Provision of Guarantee on annual basis and the Renewed Shareholder Loan does not exceed 5%, and the highest applicable percentage ratio under the Listing Rules for all financial assistance made by the Company (by itself or through Lee's International), including the Renewed Shareholder Loan and the Provision of Guarantee also does not exceed 5% in aggregate. Therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Renewed Shareholder Loan and the Provision of Guarantee are only subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements of the Listing Rules.

RENEWAL OF SHAREHOLDER LOANS

Pursuant to the First Loan Agreement, the principal amount of First Shareholder Loan shall be HK\$8,000,000 and it shall mature on 6 January 2018. Pursuant to the Second Loan Agreement, the principal amount of Second Shareholder Loan shall be US\$520,000 and it shall mature on 23 July 2017. Pursuant to the Third Loan Agreement, the principal amount of Third Shareholder Loan shall be HK\$4,000,000 and it shall mature on 24 July 2017. Pursuant to the Fourth Loan Agreement, the principal amount of Fourth Shareholder Loan shall be HK\$4,000,000 and it shall mature on 7 October 2017.

On 21 July 2017, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Supplemental Agreement, pursuant to which Lee's International and PPI agree that (a) the Shareholder Loans (in the aggregate principal sum of HK\$20,056,000) owed by PPI to Lee's International under each of the Existing Shareholder Loan Agreements shall all be due on 21 July 2017 (notwithstanding the original repayment date as stipulated in each of the Existing Shareholder Loan Agreements), and the Loan Interests accrued thereon shall be paid by PPI to Lee's International on 21 July 2017; and (b) upon and immediately after the payment of the Loan Interests, the Shareholder Loans (in the aggregate principal sum of HK\$20,056,000) shall be renewed for an extended term from 21 July 2017 to 20 July 2018.

The Supplemental Agreement

Date

21 July 2017

Parties

- (1) Lee's International, a wholly owned subsidiary of the Company, as lender; and
- (2) PPI, as borrower.

PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

Subject matter

Pursuant to the Supplemental Agreement, upon and immediately after the payment of the Loan Interests, Lee's International and PPI agree to renew the Shareholder Loans (in the aggregate principal sum of HK\$20,056,000) for an extended term from 21 July 2017 to 20 July 2018.

Principal amount of the Renewed Shareholder Loan

HK\$20,056,000

Interest rate

Interest on the Renewed Shareholder Loan shall accrue at 4% per annum, which is determined with reference to the prevailing interest rate in the market.

Interest on the Renewed Shareholder Loan shall accrue and be calculated for the period commencing from 21 July 2017 up to (but excluding) the Repayment Date.

Extended term

Subject to early repayment as provided under the Supplemental Agreement, the term of the Renewed Shareholder Loan shall be commencing from 21 July 2017 and expiring on 20 July 2018.

Repayment schedule

PPI shall repay the Renewed Shareholder Loan together with the interest accrued on the Repayment Date.

PPI shall have the right to make early repayment of the Renewed Shareholder Loan, together with the interest accrued at any time during the abovementioned extended term for the Renewed Shareholder Loan by giving the Written Notice to Lee's International. PPI shall specify in the Written Notice the date when the early repayment of the Renewed Shareholder Loan shall be made.

PROVISION OF GUARANTEE

On 21 July 2017, the Company and PPI signed the Renewed Facility Letter, pursuant to which the Company confirmed the provision of guarantee in favour of the Bank to pay all secured indebtedness in respect of the Renewed Facility due and owing to the Bank by PPI.

Renewed Facility Letter

Date

21 July 2017

Parties

- (1) the Bank, as lender;
- (2) PPI, as borrower; and
- (3) the Company, as guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons. PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

Subject matter

Pursuant to the Renewed Facility Letter, (i) the Bank agreed to grant to PPI the Renewed Facility, comprising a revolving loan facility of up to HK\$8,000,000 made available from the date of the Renewed Facility Letter up to and including 20 June 2018 and an overdraft facility of up to HK\$2,000,000, provided that the total outstanding balance of the Renewed Facility shall not at any time exceed HK\$8,000,000; and (ii) the Company confirmed the provision of guarantee in favour of the Bank to pay all secured indebtedness in respect of the Renewed Facility due and owing to the Bank by PPI, including but not limited to all interest, commissions, fees, other charges payable by PPI to the Bank, any costs and expenses incurred by the Bank in the recovery of payment from PPI. The Renewed Facility is available to PPI for use until such time as the Bank may notify PPI in writing. The final maturity date of the revolving loan facility of up to HK\$8,000,000 under the Renewed Facility Letter is 120 days from 20 June 2018 (or such other date as the Bank may deem fit).

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE SHAREHOLDER LOANS AND PROVISION OF GUARANTEE

PPI is in the course of expanding its business operation in producing, developing and in promoting the sale of medical devices. To ensure such steady growth will be backed by ample financial resources, PPI still needs the funding as obtained under the Renewed Shareholder Loan for an additional year. Therefore, after arm's length negotiation between PPI and Lee's International (being a shareholder of PPI), Lee's International agrees to renew the Shareholder Loans for an extended term from 21 July 2017 to 20 July 2018 in order to support the sustained development of PPI and to allow PPI a higher degree of flexibility in its cash flow. In addition, as each of the Shareholder Loans has different maturity date, after arm's length negotiation between PPI and Lee's International, both parties agree to consolidate and refinance the Shareholder Loans to achieve better management and control. Accordingly, on 21 July 2017, Lee's International and PPI entered into the Supplemental Agreement on the terms set out above. The Renewed Shareholder Loan would be utilized for PPI's general working capital and the provision of financial assistance will generate additional profit attributable to the Shareholders.

PPI would also need additional cash flow from other sources to expand its business operation in producing, developing and in promoting the sale of medical devices. The Provision of Guarantee by the Company for the Renewed Facility could allow PPI to have more financial resources to conduct development and production of new medical devices and thus, bringing better investment return to the Company as one of the shareholders of PPI.

The Directors (including the independent non-executive Directors) considered that the terms of the Supplemental Agreement and the Provision of Guarantee and the transactions contemplated thereunder, which have been entered into after arm's length negotiation between Lee's International and PPI, are not in the ordinary and usual course of business of the Group but are on normal commercial terms and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Dr. Li Xiaoyi, an executive Director and a substantial shareholder of the Company, is directly and indirectly (through Swift Power) interested in the issued share capital of PPI, and in view of such interests, he is considered to have an interest in the transaction contemplated under the Supplemental Agreement and the Provision of Guarantee, and is required to abstain, or has abstained, from voting on the relevant Board resolutions to approve the Supplemental Agreement and the Provision of Guarantee. Save for the above, no Director has a material interest in the transactions contemplated under the Supplemental Agreement and the Provision of Guarantee, and none of them is required to abstain or has abstained from, voting on the relevant Board Resolutions to approve the Supplemental Agreement and the Provision of Guarantee.

INFORMATION OF PPI AND THE BANK

PPI was incorporated in the British Virgin Islands on 6 August 2009, and is currently carrying on the business of, inter alia, producing, developing and sale of Zingo and the platform together with the accompanying powder intra-dermal injection system, and other medical devices.

The Bank is a licensed bank in Hong Kong registered under the Banking Ordinance (Cap. 155, Laws of Hong Kong).

GENERAL INFORMATION OF THE GROUP

The Group is a research-driven and market-oriented biopharmaceutical company focused on the PRC market. Through its operating subsidiary in the PRC, the Group develops, manufactures and markets proprietary pharmaceutical products in the PRC. It has established a sale and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad. The principal business activity of Lee's International is investment holding.

LISTING RULES IMPLICATIONS

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The Renewed Shareholder Loan made by Lee’s International to PPI under the Supplemental Agreement and the Provision of Guarantee, constitute connected transaction and continuing connected transaction respectively pursuant to Rule 14A.26 of the Listing Rules.

The highest applicable percentage ratio under the Listing Rules for each of the Provision of Guarantee on annual basis and the Renewed Shareholder Loan does not exceed 5%, and the highest applicable percentage ratio under the Listing Rules for all financial assistance made by the Company (by itself or through Lee’s International), including the Renewed Shareholder Loan and the Provision of Guarantee also does not exceed 5% in aggregate. Therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Renewed Shareholder Loan and the Provision of Guarantee are only subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders’ approval requirements of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Bank”	Nanyang Commercial Bank, Limited
“Board”	board of Directors
“Company”	Lee’s Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Shareholder Loan Agreements”	the First Loan Agreement, the Second Loan Agreement, the Third Loan Agreement and the Fourth Loan Agreement

“First Loan Agreement”	the shareholder loan agreement dated 4 January 2013 entered into between Lee’s International and PPI in relation to the First Shareholder Loan (as supplemented by four supplemental agreements dated 20 December 2013, 6 January 2015, 6 January 2016 and 6 January 2017 respectively)
“First Shareholder Loan”	the shareholder loan in the principal amount of HK\$8,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 4 January 2013, as supplemented by four supplemental agreements dated 20 December 2013, 6 January 2015, 6 January 2016 and 6 January 2017 respectively
“Fourth Loan Agreement”	the shareholder loan agreement dated 7 October 2013 entered into between Lee’s International and PPI in relation to the Fourth Shareholder Loan (as supplemented by three supplemental agreements supplemental agreements dated 30 September 2014, 6 October 2015 and 6 October 2016 respectively)
“Fourth Shareholder Loan”	the shareholder loan in the principal amount of HK\$4,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 7 October 2013, as supplemented by three supplemental agreements dated 30 September 2014, 6 October 2015 and 6 October 2016 respectively
“GL Partners”	GL Partners Capital Management Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Lee’s International”	Lee’s Pharmaceutical International Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands, and a wholly owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Loan Interests”	interests on each of the Shareholder Loans due to be paid by PPI to Lee’s International on 21 July 2017, breakdown of such interest payable is HK\$171,835.62 for the First Shareholder Loan, US\$20,686.03 for the Second Shareholder Loan, HK\$158,684.93 for the Third Shareholder Loan and HK\$125,808.22 for the Fourth Shareholder Loan
“PPI”	Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of the British Virgin Islands
“PRC”	People’s Republic of China and for the purpose of this announcement shall not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Provision of Guarantee”	the guarantee (with the guaranteed amount of HK\$8,000,000) given by the Company in favour of the Bank in respect of the Renewed Facility
“Renewed Facility”	a revolving loan facility of up to HK\$8,000,000 and overdraft facility of up to HK\$2,000,000 pursuant to the terms of the Renewed Facility Letter, provided that the total outstanding balance of the facilities shall not at any time exceed HK\$8,000,000
“Renewed Facility Letter”	the facility letter issued by the Bank to PPI dated 14 June 2017, which was agreed and accepted by PPI (as borrower) and the Company (as guarantor) on 21 July 2017
“Renewed Shareholder Loan”	the Shareholder Loans as renewed under the Supplemental Agreement
“Repayment Date”	means 20 July 2018, or if PPI elects to make early repayment, the date as specified in the Written Notice
“Second Loan Agreement”	the shareholder loan agreement dated 23 July 2012 entered into between Lee’s International and PPI in relation to the Second Shareholder Loan (as supplemented by four supplemental agreements dated 19 June 2013, 23 July 2014, 23 July 2015 and 23 July 2016 respectively)

“Second Shareholder Loan”	the shareholder loan in the principal amount of US\$520,000 made by Lee’s International to PPI under the shareholder loan agreement dated 23 July 2012, as supplemented by four supplemental agreements dated 19 June 2013, 23 July 2014, 23 July 2015 and 23 July 2016 respectively
“Shareholder Loans”	the First Shareholder Loan, the Second Shareholder Loan, the Third Shareholder Loan and the Fourth Shareholder Loan
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of nominal value of HK\$0.05 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	The supplemental agreement dated 21 July 2017 entered into between Lee’s International and PPI in related to the Renewed Shareholder Loan
“Third Loan Agreement”	the shareholder loan agreement dated 23 July 2013 entered into between Lee’s International and PPI in relation to the Third Shareholder Loan (as supplemented by three supplemental agreements dated 23 July 2014, 24 July 2015 and 24 July 2016 respectively)
“Third Shareholder Loan”	the shareholder loan in the principal amount of HK\$4,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 23 July 2013 as supplemented by three supplemental agreements dated 23 July 2014, 24 July 2015 and 24 July 2016 respectively

“Written Notice”	the 7-day written notice served by PPI in accordance with the terms of the Supplemental Agreement, which sets out PPI’s intention to make early repayment on the Renewed Shareholder Loan together with interest accrued thereon
“US\$”	United States dollars, the lawful currency of the USA
“USA”	United States of America
“Zingo”	Lidocaine Hydrochloride Monohydrate, a novel pharmaceutical product for pain management which is a combination drug device indicated for use on intact skin to provide local analgesia prior to veni-puncture and intravenous cannulation
“%”	per cent

By order of the Board
Lee’s Pharmaceutical Holdings Limited
Lee Siu Fong
Chairman

Hong Kong, 21 July 2017

As at the date thereof, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive directors of the Company, Dr. Marco Maria Brughera is a non-executive director of the Company, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive directors of the Company.